

SPEAKER WITHEM: Yes, Madam President, members of the body, I know all of you like having our Lieutenant Governor in here, except for one thing, it frees me up from presiding and then I come back here and get involved in the debate and discussion. But because LB 658 was my bill last year that caused the problem, I think I probably have some obligation to speak to the issue, try to explain what happened, and to indicate why I do not think you should bracket this bill. I think this bill should be passed. This was an issue that was brought to my attention by some manufacturers who were finding that they were, after a Department of Revenue audit, were having to pay considerable sums of back sales tax dollars because sales tax was not, in the view of the Department of Revenue, had not been properly collected. Now, one example of this, I went to a seminar at the Kellogg Company, where Kellogg, up in Omaha, was having...having difficulty with this and they were trying to figure out what the law said and what the law didn't say. The old standard was that if...if people were installing or repairing onto real property, if they were installing, there was no sales tax; if they were assembling a product there was a sales tax, and that was a fine line, and nobody really knew what it went. I used the example that if you set down a conveyor belt, you're installing it. If you set down a second conveyor belt, you're installing it. If you set down a third one between the two and put them together, the Department of Revenue was saying you were assembling a conveyor system, and you were supposed to charge sales tax on your labor. It was not easily understood. It was not enforced. In my opinion, Senator Lindsay, and this is where I think the fiscal impact is maybe accurate but wrong, it's accurate probably in that by the formulas that our Fiscal Office uses and we tell them to use, that's the number they came up with. It's wrong because the money that they said we lost when we changed last year how we handled assembly labor, the money really wasn't being collected. The only time it was being collected was in an audit because nobody knew they were supposed to pay it. But we wanted to be fair and we wanted to say instead of repealing a tax, as we often do in here, we wanted a different line of demarcation. And we said we wanted a determination of whether it was...an item was annexed, or whether it was not annexed. If it was annexed, then there would be no sales tax on the labor, even if it was fabricated or assembled. On the other hand, if it was nonannexed, then we would have sales tax collected, even if it was fabricated, assembled, or installed. And this word